

LAND BOARD AGENDA ITEM
December 18, 2006

FINAL APPROVAL FOR LAND BANKING ACQUISITION
West Ovando and North Lincoln Tracts

Background

The 1438.93 +/- deeded acres near Ovando, MT (West Ovando) and 1041.83 +/- acres near Lincoln (North Lincoln) received preliminary approval by the Board in July, 2006. Since then, the department has engaged in evaluation of the property as per the Land Banking Rules ARM 36.25.813 through 36.25.816.

Public Involvement:

In April, 2006, DNRC solicited nominations from a variety of cooperators, landowners, and local/ regional real estate agents encouraging interested parties to nominate parcels for acquisition via the Land Banking program between April and June, 2006. Since then, the Department received 20 nominations for purchase. These tracts were nominated by The Nature Conservancy of Montana.

Selection Considerations and Process

DNRC secured a purchase agreement contingent upon findings of the due diligence as per Land Banking rule ARM 36.25.813 through 815. Due diligence included a tour of the tract on September 26, 2006 offered to the public and interested parties (the Board/staffers, Negotiated Rulemaking Committee members, other agencies, county commissioners, beneficiaries, other individuals) to view and comment on the recommended properties.

The Department has conducted an in-depth evaluation of this tract for acquisition. A copy of evaluation summary is attached. Following final approval by the Board, the department will proceed to closing and acquire the West Ovando and N. Lincoln tracts for \$1,672,371 to benefit Common Schools. The appraised value for the combined acreage (2,480.76 acres) was \$2,455,000.

Agency Recommendation:

The Department recommends final approval of the West Ovando and North Lincoln tracts for acquisition.

ACQUISTION REPORT	EXPLANATION
Seller's Disclosure	There are no known material defects associated with these parcels.
Annual Rate of Return over 20	The overall rate of return for these properties is 4.09%.
Annual Rate of Return of Property Sold	The annual rate of return of the properties sold is 0.8%.
Classification of property	Classified Forest
Soils/Range	The property is composed of mainly glacial till.
Vegetation	The property is predominately forested with a good species mix of ponderosa pine, western larch, Douglas-fir, lodgepole pine with Englemann spruce and sub-alpine fir in the wetter areas. A minor portion of the property is native grassland.
Range Condition	Parcels will be classified forest lands. Forest grazing conditions are good to excellent.
Weeds	Spotted knapweed is the most common weed. Other weed species occur in varying amounts. TNC has implemented a herbicide spraying program and initiated biological control measures in 2004. Current grazing licensees are also taking control measures.
Timber Inventory	No formal timber cruises were conducted on the property. Plum Creek Timber Company implemented a real estate cut resulting in an estimated merchantable volume of 2MBF per acre. However, there is advanced second growth on much of the property that will provide merchantable volume in the next 20 years.
Water	McCabe Creek flows through the northern portion of the Ovando property and a small segment of Beaver Creek folws through section 9 in Lincoln.
Water Rights	There are two filed water rights for streams on the Lincoln tract. There are no filed water rights for the Ovando tract.
Wildlife (T.E)	Most of the wildlife species present historically still occur on the tracts. The Lincoln property is in the Grizzly Recovery Area and the Ovando property is in the Grizzly Occupied Area. Other T&E species occur on the properties but critical habitat has not been identified on the properties.
Fisheries	Both McCabe and Beaver creeks have populations of Westslope Cutthroat and Brook Trout. Beaver Creek is an important Bull Trout stream and McCabe Creek has potential Bull Trout habitat.
Wetlands/Flood plain	The properties have no portions that would be classified as flood plain. There are several small isolated wetlands that appear to be in good condition. However, grazing management could be altered to improve existing conditions.
Riparian Characteristics	The main riparian corridor exists along McCabe Creek in the Ovando area. This riparian area is in good condition. Little logging has occurred along the riparian corridor in the past.
Cultural Values	The Lincoln property is within the historic Lincoln mining district but there is no indication of historic mining activity on the property. There were no other cultural values noted.
Mineral Charactertistics	The acquisition of the TNC parcels do not included any mineral rights. All hard rock and gas and oil minerals are owned by third parties. In the lands surrounding the West Ovando Mountain parcel, there has been no recent mineral exploration or mining activity. The North Lincoln parcels lie six to ten miles west of the proposed McDonald Gold Mine project which has had little recent exploration activity.
Asthetic Values	The timbered slopes and open parks provide high asthetic value.

Recreational Use	The properties have a long history of diverse recreational use including hunting, snowmobiling, dog sledding, hiking, and birdwatching, and have high recreational value. The acquisition of the parcels in North Lincoln will consolidate state ownership and result in a 3936 acre block of state land. The West Ovando Mountain acquisition is adjacent to 640 acres of state land and will result in a block of state land equaling 2079 acres, providing enhanced recreational opportunities for the public.
Zoning	Powell County has 160 acre subdivision limitations.
Planning	Land adjacent to the Ovando property is part of the resource management planning area for the Blackfoot Community Conservation Area.
Surrounding Land Use	Surrounding lands are predominately under forest or ranch land use management. There is minor subdivision and rural residential properties near the Lincoln parcels.
Potential for Multiple Use	The Ovando property has a USFWS conservation easement that precludes development. All other uses are permitted. The Lincoln property has no restrictions on land use.
Access to Tract	All parcels will have road access for management of the individual parcels. The public will have walk-in or limited drive-in access for recreational purposes.
Infrastructure	All of the tracts have existing roads for the management of forest and grazing resources. Power and telephone line are adjacent or through some of the tracts in North Lincoln. There are some boundary fences for grazing management. No other infrastructure exists within these tracts.
Adjacent Public Land	All tracts are adjacent to public lands. The North Lincoln tracts are adjacent to the Helena National Forest on the north and west. The West Ovando Mountain tract is adjacent to the Lolo National Forest on the north and to the Blackfoot Community Conservation Area (BCCA) on the east. Acquisition of the tracts will provide continued access to public lands.
Adjacent Conservation Easements	The West Ovando Mountain parcel has a US Fish and Wildlife Service conservation easement on it. The adjacent Blackfoot/Clearwater Conservation Area is covered by the same conservation easement. The North Lincoln tracts are not covered by a conservation easement but are partially adjacent to private lands with conservation easements.
Appraised Value	The combined value of all tracts proposed for acquisition is \$2,455,000
Purchase Price	The purchase price is \$1,672,371 if closing occurs on or before December 22, 2006. If the closing occurs after that date the purchase price will increase only by the cost of interest accrued to the tracts to the day of closing.
Summary of Title Report	The title report shows one potential issue which the state has chosen to accept. The existing deed has a provision that the owner of the mineral rights has the option of purchasing the surface for market value when the property is sold. TNC maintains that the mineral owner was contacted when they purchased the property, that the mineral owner opted not to nominate any surface acres for purchase, and that this fulfills the mineral owners option to repurchase this land. The mineral owner has not been contacted about the sale to the state. Considering the purchase price below appraisal, the estimated rate of return, the potential recreation benefits to the public, and the requirement to repurchase at market value by the mineral owner, the state has decided acquisition is an acceptable risk.
Summary Phase 1 Environmental Analysis	The Phase I Environmental Analysis used by TNC were reviewed by the state. Land use has not changed since TNC acquired the land, and no issues were found when they purchased the land, so no additional Phase I studies were commissioned by the state.
Notification to Commissioners and Adjacent Land Owners	County Commissioners and adjacent landowners were notified in September of the potential acquisition by the state. Additionally, a tour of the tracts was advertised, and conducted on September 26, 2006.